

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

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|------------------------------------|---|----------------------------------|
| COMMODITY FUTURES TRADING |) | |
| COMMISSION |) | |
| |) | |
| Plaintiff, |) | |
| |) | |
| v. |) | CIVIL ACTION NO. 09 C 6780 |
| |) | |
| RALEIGH CAPITAL MANAGEMENT, |) | Honorable Charles R. Norgle, Sr. |
| INC. AND RICHMOND H. HAMILTON, JR, |) | |
| |) | |
| Defendants, |) | |
| ----- |) | |
| RALEIGH FUND, LP, |) | |
| |) | |
| Relief Defendant. |) | |

RECEIVER'S FIRST INTERIM REPORT

Deborah L. Thorne, not individually, but as court-appointed Receiver ("Receiver") of Defendants, Raleigh Capital Management, Inc. and Richmond H. Hamilton, Jr., and Relief Defendant, the Raleigh Fund, LP files this First Interim Report which covers the period of October 29, 2009 through November 30, 2009 (the "Reporting Period").

The purpose of this First Interim Report is to provide the Court and all interested parties with a description of the assets which the Receiver has determined are assets of the estate ("Estate"), to describe the nature of the Receiver's activities, investigations, analysis, conclusions, recommendations to date, and the revenues generated and/or collected by her, and the Receivership Estate expenses incurred¹ during the Reporting Period.

¹ The Receiver and her counsel will submit their requests for reimbursement of fees and expenses in separate pleadings.

Introduction

On October 29, 2009, at the request of the Commodity Futures Trading Commission (the “CFTC”), this Court entered an Order Appointing Receiver over Raleigh Capital Management, Inc. (“RCM”) and Richmond H. Hamilton, Jr. (“Hamilton”), and Relief Defendant, the Raleigh Fund, LP (the “Fund”) (the “Order”) in which the Receiver was appointed as receiver for RCMI, Hamilton and the Fund. The Order provided that the Receiver should among other things take custody of all funds, property and other assets in the possession or control of the Defendants and Relief Defendant (“Assets”) to manage and preserve the Assets and to prevent any loss to the Assets.

The Order required the Receiver to take control of the Fund and to liquidate or manage it as prudent under the circumstances, to investigate other assets belonging to RCM, the Fund and Hamilton. The Order also required the Receiver to determine the identity of all of the Funds’ limited partners, amounts invested by the limited partners and to determine the payouts to limited partners and communicate, as necessary, with the limited partners.

In the one month since the Receiver was appointed, she has reviewed the known Assets and to the best of her ability has insured that they are safe. The Assets which she has determined belong to the Fund, Hamilton or to Raleigh Capital Management include the following:

| <u>Asset</u> | <u>Location</u> | <u>Estimated Value</u> |
|---|--|-------------------------------|
| Various currencies converted to United States Dollars on 11/13/2009 | In the name of the Fund and originally at Lind Waldock and now invested in CDARS with FDIC-insured | \$708,876.25 |

| <u>Asset</u> | <u>Location</u> | <u>Estimated Value</u> |
|---|---|--|
| | depository institutions | |
| Various currencies converted to United States Dollars on 11/13/2009 | In the name of the Fund and originally at Lind Waldock and now invested in Money Market Account at The PrivateBank | \$250,000.00 |
| Northern Trust Bank Account in the Name of Richmond Hamilton | Northern Trust Bank | \$22,294.34 |
| Northern Trust Bank Account in the Name of Raleigh Fund, LP | Northern Trust Bank | \$59,611.82 |
| Account at Dain Rauscher | This account is held as security for the Note owed by Little Creek Ventures, LLC which matures on 12/31/2009 | \$2,100,000.00 |
| Banque Franck Accounts | Account in the name of Hamilton | \$615,603 as of 9/30/2009 |
| Funds on Deposit with Henderson & Lyman | Funds wired from Hamilton. Receiver made demand 11/12/2009 for return which has not been honored. An additional \$20,000 was also wired by Hamilton to Henderson & Lyman during the last two weeks of October for payment of attorneys' fees. | Estimated to be \$125,000 |
| Funds on Deposit at Credit Du Maroc | Account Number 14001902050452 in the name of Richmond Hamilton Jr. | Amount Unknown |
| Condominium located at 1734 North Cleveland, Chicago, IL | Title is held in the name of Hamilton and is currently listed with Liani O'Connor, a Century 21 Broker. | Subject to a mortgage with The Northern Trust Company in the original principal amount of \$158,469.00. Current balance is \$156,220. Appraised value is \$295,000 as of June 9, 2009. |
| Condominium located at 2500 Lakeview, Chicago, | Title is held in the name of Hamilton and is under lease | Subject to a mortgage with The Northern Trust |

| <u>Asset</u> | <u>Location</u> | <u>Estimated Value</u> |
|--|---|--|
| Illinois | with MacDonald's Corporation | Company in the original principal amount of \$380,000. Current balance is \$374,609.03. Appraised value is \$525,000.00 as of June 9, 2009. |
| Fifty percent interest in Apartment Building located at 6641 North Greenview Avenue, Chicago, Illinois | Owned jointly with John Davidson | \$635,500.00 appraised value as of 6/9/2009, subject to mortgage in the approximate amount of \$401,663.52. |
| Membership interest in Little Creek Nine, LLC. | Richmond Hamilton is 33% interest holder through his membership in the LLC which owns Lot 9 at Shoppes at Little Creek. | Subject to a mortgage securing principal in the amount of \$3,143,642.52. The property has been appraised at a value of \$1,714,000 as is in April 2007 and \$5,165,000 at completed and stabilized. |
| Membership interest in Little Creek Eleven, LLC | The Fund is a 33% interest holder through its membership in the LLC which owns Lot 11 at Shoppes of Little Creek. | Subject to a mortgage securing principal in the amount of \$1,440,000. The property has been appraised at a value of \$2,250,000 in March 2007. |
| Membership interest in Little Creek Ventures, LLC | The Fund is a 33% interest holder thro its membership interest in the LLC which owns Lot 12 at the Shoppes at Little Creek. | Subject to a mortgage securing principal in the amount of \$9,150,000. The property was appraised for \$13,300,000 in 2008. |
| Cessna 172S Aircraft | Title held by Tomacee Ltd. in which it is believed Raleigh Fund is the sole shareholder. Located at Louisa County Industrial Development Authority Airport Hanger | Estimated at \$90,000.00 |
| Mooney | Title is held by Galeswood LLC which is a Delaware limited liability company. It is believed that Raleigh Capital Management is the sole member. Believed to | Estimated at \$350,000.00 |

| <u>Asset</u> | <u>Location</u> | <u>Estimated Value</u> |
|--------------------------|--|------------------------|
| | be located at Moroccan Airport. | |
| Series 7 BMW | Title held by Raleigh Capital Management, located at Louisa County Industrial Development Authority Airport. | Estimated at \$10,000 |
| Three gold diamond rings | Discovered in Raleigh Capital Management safety deposit box, located at The Northern Trust. | Unknown |

Actions Taken by the Receiver

Review of Fund Assets

It is estimated that the total value of the assets exceeds \$4,321,384.00. This does not include any value attributed for interests in Little Creek, the Lakeview, Cleveland or Greenview properties, for the diamond rings located in the safety deposit box or the Credit Du Maroc bank account. There is a second safety deposit box located at The Northern Trust for which the Receiver has not been able to obtain access. No value is attributed to any contents of that box. The values attributed to the other non-cash items are only estimated based upon certain information provided to the Receiver by others. The values do not include the costs of liquidating the non-cash assets. Certain of the assets have already and will continue to accrue costs of preserving them, including the payment of mortgages, condominium assessments, hanger lease payments and insurance. These costs will deplete the value available to return to investors. No value is attributed to the interests held by either Richmond Hamilton or the Fund in Little Creek as these values will be determined by future events in the real estate market for which there is

considerable uncertainty. The Receiver has filed Notices of the Receivership in those Districts where she believes assets are located which to date include the Middle District of North Carolina and the Eastern District of Virginia. The Receiver obtained an Order from this Court extending the time to file additional Notices if additional assets are located.

Little Creek Investments

The Receiver holds an interest in three lots located in Winston-Salem, North Carolina at The Shoppes at Little Creek. Currently the interests are held in Lots 9, 11 and 12. Lot 9 is a strip center owned by Little Creek Nine LLC in which Hamilton holds a one-third membership interest. Lot 9 has tenants occupying approximately 50 percent of the center. The most recent appraisal from March, 2007 valued the center at \$5,165,000 based upon full occupancy. There is currently a mortgage with approximately \$3,143,642 owed under the terms of a promissory note which matures in approximately 10 years. The Receiver has not reviewed the current Note but understands it is with the Bank of North Carolina.

The Receiver also holds an interest in Little Creek Eleven LLC in which the Raleigh Fund holds a one-third membership interest. Lot 11 is vacant but holds a judgment of \$1,000,000 against Hudson which has paid sufficient amounts each month to satisfy the outstanding note payments to the Bank of North Carolina. The outstanding principal owed is \$1,537,134. The Note on Lot 11 matures on September 22, 2010. The most recent appraisal which the Receiver has reviewed was dated March, 2007 and appraised the value as \$2,250,000.

The Receiver holds an interest in Little Creek Ventures LLC ("LCV") which has developed a two story combined retail and commercial property on Lot 12 at The Shoppes of Little Creek. Raleigh Fund is a one-third interest holder in LCV. The Fund has also pledged an account holding \$2,100,000 to secure its guaranty of the Note on Lot 12 owed to Royal Bank of Canada ("RBC"). The most recent appraisal (October 20, 2008) lists the value of the Lot 12 property as \$13,300,000 (as "stabilized"). The property currently is 45% leased. The Lot 12 Note with principal indebtedness in the amount of \$9,118,067 matures on December 31, 2009.

RBC has filed a motion with this Court seeking to intervene and seeking an order to lift the stay so that it can set off the \$2.1 million account and reduce the indebtedness accordingly. To date, the Court has not ruled on the motion to intervene. In the event the \$2.1 million account is used to satisfy the outstanding claim of RBC against the amount owed under the promissory note between LCV and RBC, the Receiver intends to pursue her claims as a co-guarantor against Ladd Freeman and Jay Lukes, the other members of LCV in the aggregate amount of \$1.4 million. This right is supported by the LVC operating agreement.

The Receiver met with Ladd Freeman and Jay Lukes, managers and developers of The Shoppes at Little Creek and co-members of the Lots 9, 11 and 12 limited liability companies ("Managing Members"). Although a resolution of the various interests in the Little Creek real estate has not occurred, the Managing Members provided valuable information to the Receiver.

The Receiver has also consulted with Carolina Commercial, a Cushman Wakefield affiliate in North Carolina who verified much of the information concerning the Shoppes of Little Creek Center provided by the Managing Members.

Aircraft

The Receiver holds the sole membership interest in Galeswood LLC, a Delaware limited liability company. The Receiver has not been able to obtain any information about the source of the funds which were used for the initial down payment on the Mooney or the initial purchase price. The Receiver believes that approximately \$200,000 from the Fund was used to complete payments on the Mooney. The Mooney aircraft is currently located in Morocco. It is not insured. Mr. Hamilton has stated through his attorney that he will turn the Mooney aircraft over to the Receiver. To date, however, he has not done so. The Receiver is prepared to engage a broker with the Court's permission to sell the Mooney and to provide insurance during that process. The Receiver has been told that the Mooney may be worth in excess of \$350,000 but that until additional information concerning flight hours and maintenance records are reviewed this is only speculation.

Additionally, the Receiver believes that Raleigh Capital Management or Hamilton is sole shareholder in Tomassee LTD, the owner of a Cessna 172S aircraft. The Cessna was purchased in June 2001 for \$156,000. The Cessna is currently stored at the Louisa County Industrial Development Authority Airport. The Receiver has caused the locks to be changed on the hanger. The Cessna is not yet insured. The Receiver is also prepared to engage the services of a broker to assist her in selling the Cessna and will provide insurance in connection with allowing possible buyers to test the aircraft. The Receiver

has been informed that the Cessna may be sold for up to \$100,000. Again, until the exact condition of the aircraft is determined the value is somewhat speculative.

The Receiver believes that the sale of any small aircraft may be difficult in the current economic downturn. She will file a motion to employ a broker or brokers at such time as all ownership details of both aircraft have been established.

BMW Automobile

Also located at the Louisa County airport is a Series 7 BMW which is titled to Raleigh Capital Management. The Receiver intends to file a motion seeking authority to sell the BMW shortly. The BMW is currently not insured. It is secured in the hanger, however.

Other Real Estate Holdings

Hamilton is the owner of several other properties in Chicago which the Receiver intends to sell as soon as possible. At the time of the Order, the condominium located at 1725 Cleveland ("Cleveland Condo") was under contract for sale. The sale fell through. Currently, the Cleveland Condo is vacant and the real estate firm of Century 21 is showing it under the terms of a broker's contract entered with Mr. Hamilton. The Cleveland Condo is listed for \$295,000. A mortgage with principal of \$156,200 is held by The Northern Trust. The Receiver has paid the monthly mortgage payments for November and December. Property taxes are paid.

Hamilton is also the owner of a condominium located at 2500 Lakeview, 30th floor. A mortgage in the amount of \$374,604 on the Lakeview Condo is held by The Northern Trust. McDonalds Corporation leases the property under the terms of lease. The Receiver has requested a copy of the lease from both McDonalds and John

Davidson. Although she has not received a copy, she believes it runs through a good portion of 2010. The assessment and the monthly mortgage payment exceed the current rent which is received from McDonalds. The Receiver intends to file a motion with the Court seeking to sell the Lakeview Condo. She has also received one inquiry from a prospective buyer. The Receiver has paid the monthly mortgage payment for November and December. She has also paid the Condominium assessment for November and December. Property taxes are also paid. The Receiver has filed *lis pendens* notices for both the Cleveland and Lakeview properties.

Hamilton is also the one-half owner of an apartment building located at 6641 Greenview, Chicago, Illinois. The other one-half of the ownership is held by John Davidson, a former employee of Raleigh Capital Management and an investor in the Raleigh Fund. The Greenview Building was recently appraised for \$635,500 and it has granted a mortgage to The Northern Trust in the principal amount of \$401,663.52.

Investigation of other Assets of Hamilton and the Funds

The Receiver recently caused Lind Waldock to convert various currencies which were in the name of the Fund to United States Dollars. The Receiver has invested \$708,876.25 in CDARS with FDIC-insured depository institutions. Another \$250,000 is held in a money market account at The PrivateBank. Additional amounts are held at The Northern Trust in two separate accounts.

The Receiver and her accountant, Marion Siara, are reviewing bank account statements to determine whether any transfers may lead to the discovery of additional assets. The Receiver has requested that a bar date be set and that investors provide information concerning investments to determine whether the review which may lead to

additional assets. Included among the accounts being investigated are those located at Banque Franck in Switzerland. The Receiver believes that approximately \$615,603 is on deposit with Banque Franck. In addition, earlier in 2009, Mr. Hamilton redeemed approximately \$500,000 to Banque Franck. The Receiver will continue to investigate this redemption.

Communications with Investors

There are believed to be twenty-five investors in the Fund as of May 2009 according to records the Receiver received from the former accountant for the Fund. The Receiver sent a letter to all known investors on or about December 3, 2009. A copy of the Letter is attached as Exhibit A.

CONCLUSION

The Receiver intends to continue investigating the assets held by the Fund to determine the locations of the various assets and which assets can be liquidated for the benefit of the estate. The Receiver will review the materials sent to her by the investors in the Funds.

DATED: December 3, 2009

Respectfully submitted,

**DEBORAH L. THORNE, as
TEMPORARY RECEIVER**

By: /s/ Deborah L. Thorne
One of Its Attorneys

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